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IMPACT OF FLOODS AND DROUGHT ON EASTERN EUROPE'S
GRAIN OUTLOOK

Rains, floods, and drought combined forces during July to dim Eastern Europe's hopes for bumper harvests.

--With the harvest underway, torrential rains and flooding hit Romania, Yugoslavia, Hungary, and Czechoslovakia, causing damage to grains.

--Meanwhile, grain crops in East Germany and fodder crops in Poland are threatened by drought.

We have cut our estimate almost ten percent in the last month and now project this year's grain harvest at about 86 million tons compared with 90 million tons in 1974. This projection, however, assumes normal weather for the remainder of the growing and harvesting seasons.

The presently expected shortfall in grain production is not likely to trigger increases in grain imports. We project East European grain imports for FY 1976 of 8 to 8-1/2 million tons compared with about 9 million tons last year. The decline in imports is explained largely by the expected absence from the grain market of Yugoslavia and Bulgaria.

Yugoslavia will experience about one-half of the expected 4 million ton decline in output, but stocks from last year's bumper wheat crop, and a policy of further belt-tightening, will probably keep Belgrade out of the grain market this year. In FY 1975, Yugoslavia imported about 0.5 million tons of grain. Bulgaria is also not expected to need imports. Last year, a drought forced Sofia to import about 0.8 million tons of grain to feed livestock.

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The USSR is expected to supply the usual amount of wheat -- almost 4 million tons -- in FY 1976 and is unlikely to supply additional grain because of the floods. The Soviets would probably be responsive to emergency requests for grain by their regular East European customers -- Czechoslovakia, East Germany, or Poland, which together account for almost all of the normal Soviet sales. Among the flooded countries, Hungary, Romania, and Yugoslavia are not normally Soviet customers for grain. Of these, only Romania is now expected to be in the grain market and her maverick relationship to the USSR would work against a Soviet offer.

Eastern Europe imported about 2-1/2 million tons of grain from the United States in FY 1975 and is expected to import a similar quantity in FY 1976. Poland, Romania, and East Germany will be the major buyers of US grain. Except for Romania which has already requested emergency shipments of 200,000 tons of feed grains, the flooding is not expected to increase demand for US grain at this time. Demand will increase, however, if drought conditions persist in East Germany and Poland and result in crop losses beyond what is now forecast.

Both Poland and Romania are seeking CCC credits for grain. Warsaw plans to increase its grain purchases to as much as 1.2 million tons annually of wheat, barley, and corn to support its growing livestock sector. Romania's plans are less certain. Drought had caused two poor harvests in a row and this year a good harvest was necessary to replenish depleted feed stocks. Bucharest might also purchase wheat for resale to its export customers as it did in 1974.

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